

**MINUTES  
BOARD OF TRUSTEES OF THE  
PUBLIC EMPLOYEE'S RETIREMENT FUND  
143 West Market Street, Suite 500  
Indianapolis, Indiana 46204  
July 16, 2004**

**EXECUTIVE SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Garland Ferrell, Trustee  
Connie Thurman, Trustee

Others Present

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, PERF General Counsel  
Mary Hobson, Senior Vice President, EFL Associates

The Board met in Executive Session to discuss matters under IC 5-14-1.5.6(b)(7) and IC 5-14-1.5-6.1(b)(5).

**REGULAR SESSION**

Trustees Present

Jonathan Birge, Chairman  
Richard Doermer, Vice Chairman  
Garland Ferrell, Trustee  
Connie Thurman, Trustee

Others Present

Beaty, Elaine – McCready & Keene  
Braising, Stephanie - Mercer  
Ferrell, Joe – McCready & Keene  
Grabow, Brad – Crowe Chizek  
Klrich, Srini, IPSI  
Leonard, Jeff - Mercer  
Lenore, Richard – McCready & Keene  
Nice, Deb - Mercer  
O'Connell, Helen - McCready & Keene

Miller, Eric - Ice Miller  
Shelley, Dan - McCready & Keene  
Todd, Douglas - McCready & Keene  
Ungueran, Scarlet - Mercer  
Wood, Sunny - Mercer

#### PERF Staff Present

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, General Counsel  
Sally Burton, Procurement Agent Finance  
Will Frayer, Staff Attorney  
Michael Horstman, Chief Financial Officer  
Clay Jackson, Chief Internal Auditor  
Cindy Osborne, Executive Assistant to the Executive Director  
Jerry Porter, Executive Assistant for the Board

### **I. APPROVAL OF THE MINUTES**

**MOTION** duly made and carried to approve the Minutes of the June 18, 2004 Board of Trustees meeting.

*Proposed by: Richard Doermer*

*Seconded by: John Birge, Chairman*

*Approved unanimously*

*Votes: Four in favor, 0 against, 0 abstentions*

### **II. OLD BUSINESS**

#### IPSI UPDATE

- > Mr. Hartzler asked for an update on Indiana Pension Systems, Inc., (IPSI). He stated that by September IPSI, will have taken full responsibility for the operation and maintenance of SIRIS. He asked Mr. Kimery and Mr. Krish to give the IPSI update.
- > Mr. Kimery introduced Mr. Krish as the Chief Information Officer for IPSI.
- > Mr. Krish began by highlighting IPSI's mission and goals. IPSI is to provide high quality, economical IT services using local talent here in Indianapolis. The short-term goal is to be able to support and stabilize the system, issue checks, process retirements, and refunds. The long-term goal is to web-enable the SIRIS application so that PERF and TRF will be positioned to provide better service to the members. IPSI is working towards taking over control of the system. Incremental steps are being taken to accomplish that goal.

- > Mr. Hartzler stated that one of the things PERF, along with Mr. Krish, Mr. Kimery, and Ms. Julian is hoping for an improvement of the quality of the system. PERF staff are currently testing PIR's (Problem Incident Reports). There is currently a failure rate of about a third of the PIR's that fail after testing. It is hoped that the quality will improve. The only customers that IPSI currently has are PERF and TRF.
- > Mr. Doermer asked if IPSI will be in full operation, geared up, and operating by the end of the year.
- > Mr. Kirsh affirmed that the goal is for IPSI to be in full operation by the end of the year. IPSI has also started to learn the systems and has begun making changes.

## II. NEW BUSINESS

### A. Deceased Member Project Update (Handout)

- > Mr. Hartzler introduced Mr. Grabow of Crowe Chizek.
- > Mr. Kimery stated there are 2297 deceased members inactive accounts. Last September, PERF froze 180,000 inactive accounts. An inactive account is defined as one where no wage or contribution has been posted to it in the previous five (5) quarters. He noted that Mr. Grabow is the project manager for this project and asked Mr. Grabow to give an update.
- > Mr. Grabow reported that this project began in April 2004, and it is expected to be completed by the end of August. With the accounts reviewed to date, they have found a total of \$216,000 adjustments that have accrued to the good of PERF.
- > Mr. Hartzler stated that Crowe Chizek has done a great job. He reminded the Board that several years ago, the Board hired a company to do a data-cleansing project. About a year and a half ago PERF decided that the return on that investment was not very good, so that firm's contract was cancelled.

### B. SBOA Audit Update

- > Mr. Hartzler referred to the one-page matrix of the findings of the State Board of Accounts audit report that summarizes the description of findings and action items. It lists detailed action items and milestone dates that are attached to each of the findings. We have completed and fixed several of the findings, but he recommends that we do an update for the Board at every Board meeting until all are fixed.
- > Mr. Kimery stated that everyone has been working hard on both audits, specifically Bob Lofland, Donita Carter, and Mike Horstman. A lot of work has gone into looking at voided and outdated checks.

He stated that Convasys has gone through and redefined the roles and the access that an individual has to process certain types of documents. These roles have been redefined and limits put on how those roles can be applied. The process will be implemented the week of July 24, 2004.

C. Actuarial Presentations

Mercer Presentations

- > Mr. Hartzer introduced Ms. Wood, Client Manager in the Indianapolis office of Mercer.
- > Ms. Wood stated that she is responsible for ensuring that the relationship between PERF and Mercer is always high quality. She continued with the introduction of Mr. Doug Kryscio (to be introduced personally at a later date). Mr. Kryscio will assume Ms. Braiming's responsibilities when she leaves Mercer in August. Ms. Wood continued to introduce the team that will work on PERF's account, including Ms. Nice, who would act as the actuarial project leader, supervising all actuarial work done for PERF during the contract, and Ms. Itoki, project manager and actuary. Ms. Mitelka will manage the day-to-day work and also be responsible for the analysts who work on PERF's account. Finally, Ms. Wood introduced Mr. Leonard, Senior Retirement Advisor and Practice Leader for Mercer's Indianapolis and Cincinnati office. Mr. Leonard will be responsible for all the necessary and appropriate resources. Missing was Senior Actuarial Consultant, Mr. Stephen Mackgohani. Ms. Wood noted that because Mr. Mackgohani could not attend the meeting, she had included some biographical information about him.
- > Ms. Nice gave an overview of the services that Mercer proposes to provide with regular evaluation work out of the Indianapolis office. She noted that she would head this team.
- > Ms. Ungurean stated that what Mercer currently has is a model comparable to PERF being an airline. What they are proposing is for PERF to be more like a train, where all the cars are connected. Mercer will be the conductor, and PERF will be a passenger.
- > Mr. Leonard concluded by explaining why Mercer would be the ideal candidate. He noted that the first thing he sees as important is having a strong Indianapolis presence.
- > Mr. Hartzer asked what Mercer's recommended time-lapse for experience studies is expected to be and if there is an industry standard.
- > Mr. Leonard stated once every five years is usually standard.
- > Mr. Hartzer asked about an actuary audit and if there is a recommended time for doing an audit of the actuary.

- > Mr. Leonard stated such an audit should be conducted in the 5-10 year range.
- > Mr. Hartzler reported that this is Ms. Braming's last Board meeting. He thanked Ms. Braming for her good work and wished her well.

#### McCready & Keene, Inc. Presentation

- > Mr. Hartzler welcomed Mr. Todd and executives from McCready & Keene. He also asked the Board members to introduce themselves to McCready & Keene. After the introductions, he reported that Mr. Welch, Trustee is on vacation.
- > Mr. Todd began by introducing Mr. Joe Ferrell, president of McCready & Keene.
- > Mr. Joe Ferrell began his presentation by introducing the team of individuals that came along with him. Mr. Shelley, Chairman of the Board, Mr. Leonard, Chief Actuary, Ms. Beaty, Vice President, Ms. O'Connell, General Counsel. He continued with facts about himself and his history with McCready & Keene. McCready & Keene has served PERF for a very long time. McCready is honored to work for PERF and hopes to retain the business. McCready & Keene employs Hoosiers who pay Indiana taxes. McCready outsources nothing, which means they pay Indiana taxes on virtually everything that they earn. McCready & Keene provides quality work, sometimes on short notice, and at a fair price. Mr. Joe Ferrell stated that another reason PERF might want to retain their services is Doug Todd. Mr. Todd is accessible and he delivers. He turned the presentation over to Mr. Todd.
- > Mr. Todd reported that the firm has extensive knowledge of all plan revisions and all of the funding for all six of the plans administered by PERF. He noted that the firm has extensive knowledge of the census data that they utilize for evaluation and study purposes. Mr. Todd turned the presentation back to Mr. Joe Ferrell.
- > Mr. Joe Ferrell reported on technology. Procedures are comprehensive. Security is extremely tight. There is limited access to the computer room. Their disaster recovery procedures are very much in line with what they refer to as industry accepted standards in this area. He then addressed their reputation, and back-up system.
- > Mr. Hartzler stated that there seems to be too many Chiefs and not enough Indians, and asked Mr. Joe Ferrell how he and the firm juggle things.
- > Mr. Joe Ferrell explained that PERF is McCready's main chief and main client. He also talked about their new back-up system, and server. He also passed out his business card, so the Board will be able to contact him.

- > Mr. Hartzler thanked Mr. Joe Ferrell and Mr. Todd for coming and giving their presentation.
- > The Chairman thanked McCready for their presentation.
- > Mr. Garland Ferrell asked if the staff had any recommendations on these presentations.
- > Mr. Hartzler stated that after going through an extensive process of reviewing the applications or responses to the RFP, the staff's recommendation is for McCready & Keene. Based on price, service, accessibility, Indiana presence, the pros outweigh the cons. He noted that they will now enter into contract negotiations and he will have a discussion with Mr. Joe Ferrell and Mr. Todd about how to move forward.

**MOTION** duly made and carried to award the contract to McCready & Keene for actuarial services, subject to McCready understanding its relationship with PERF and its responsibility during the contract negotiations.

*Proposed by: Garland Ferrell*

*Seconded by: Connie Thurman*

*Approved unanimously – Four in favor, 0 against, 0 abstentions*

## **Committee Reports/Recommendations**

### **A. Investment Committee**

- > Mr. Doermer reported that the Investment Committee considered a number of things. They had an interesting presentation by Credit Suisse and SIS on Alternative Investments. The committee gradually developed its range of knowledge of that whole process. There were no decisions made, but the Board listened and gained from the presentation.
- > Mr. Duncan gave a report on the status of the Large Cap Value Manager Search. Mr. Duncan says he has narrowed it to five firms and hopes to have that resolved shortly.
- > The Committee voted to make recommended changes in the Investment Policy, having to do with rebalancing of portfolios. The Committee decided to recommend to the Board that the Board allow the staff a limited authority to respond to those rebalancing needs when they arise.
- > The Committee also voted to accept the recommended changes in the Procurement Policy.
- > The Committee heard an interesting presentation by Ms. Hobson, Executive Search person from Denver, who is seeking to help us locate a Chief Investment Officer for the agency. She has narrowed it to ten candidates. There will be interviews, after which the Board members may become involved.

**MOTION** duly made and carried to adopt the changes made in the Investment Policy regarding rebalancing.

*Proposed by: Richard Doermer*

*Seconded by: Garland Ferrell*

*Approved unanimously – Four in favor, 0 against, 0 abstentions*

**MOTION** duly made and carried to adopt the changes made in the Procurement Policy.

*Proposed by: Connie Thurman*

*Seconded by: Richard Doermer*

*Approved unanimously – Four in favor, 0 against, 0 abstentions*

B. Benefits Committee Report

- > Ms. Thurman, reported that Mr. Kimery assured the Committee that all restrooms will be finished on all floors by the end of the month. There have been 263 retirements processed. There have been 401 applications waiting to be processed, and they're staying in the 45-50 day range. Refunds are staying constant and they're in the 30-day range. Membership Records will be hiring another person to help out. The Survey Satisfaction has been very good. There have been 58,000 retirement benefits paid. As a result of the customer service survey, there will be improvements made to the retirement and refund forms. There will be the addition of two more Call Center Reps. We do not have a benefits policy. Staff has been using three-ring binders with memos, etc., so there will be a Benefit Policy update.

III. REPORT OF THE EXECUTIVE DIRECTOR

A. Operations Update

- > Mr. Hartzler reviewed the July 2, 2004 update. He informed the Board that PERF did have the State Board of Accounts Audit become a matter of public record. PERF was the subject of Channels 6 and 13 TV interviews, and also, the Associated Press State House Reporter, Mike Smith, did a story that went statewide. Mr. Donovan Cartwright designed a form for the customer service representatives to track calls about this matter. The theme of all of the reporters that interviewed him was "What's the impact on an individual's benefit check?" Mr. Hartzler also suggested that once the audit is completed, that might be a good time to have a one-day retreat.

- > Mr. Doermer reported that he is a large shareholder of Bank One and now J.P. Morgan. He felt obliged to tell the Board. It has not influenced him in any way regarding PERF business.

B. Financial Report (Tab 9)

- > Mr. Kimery reported that we have not completely closed the books through June 30, 2004. We will complete the year under budget.

**IV. DATE OF NEXT MEETING**

The date of the next Board of Trustees meeting is September 17, 2004.

**V. ADJOURNMENT**

There being no further business, the meeting was adjourned.